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C O N F I D E N T I A L HARARE 000559

SIPDIS

AF/EX
AF/S FOR BNEULING
EB/IFD FOR FCHISHOLM
NSC FOR SENIOR AFRICA DIRECTOR C. COURVILLE
TREASURY FOR OREN WYCHE-SHAW, STATE PASS USAID FOR MARJORIE
COPSON
ALL AFRICAN DIPLOMATIC POSTS

E.O. 12958: DECL: 12/31/2009

TAGS: [EAGR](#) [ECON](#) [ETRD](#) [PGOV](#) [ZI](#) [EINV](#)

SUBJECT: LOWER QUALITY ZIMBABWEAN TOBACCO HITTING MARKET

Classified By: Ambassador Christopher Dell for reasons 1.4 b/d

1. (C) Summary: Mashonaland Tobacco Company Marketing Director Graham Dupree told Econoff on April 8 his company was paying about half as much per kilogram of tobacco this year as last. Dupree attributed the steep fall in price to both an increasing global supply and a poorer quality Zimbabwean crop. End Summary.

2. (C) A division of U.S. tobacco giant Dimon, Mashonaland Tobacco is currently Zimbabwe's largest tobacco merchant (i.e., middleman between growers and cigarette producers). Marketing Director Dupree said his company believed this year's worldwide supply of tobacco was particularly large, with Brazil producing a record 700 million kgs and still possessing a large 2004 carryover crop. Although higher-grade tobacco was still scarce and would fetch US\$2.60-2.80/kg this year - almost identical to last year's rates - Dupree told Econoff that the quality of Zimbabwe's crop had fallen significantly since 2004. He said most Zimbabwean tobacco now occupied the bottom-end of the quality spectrum and Mashonaland Tobacco had been paying less than US\$1/kg in the first week of sales.

3. (C) Comment: Fast-track land reform has decimated Zimbabwean tobacco output, which once accounted for one-third of its foreign exchange earnings. Last year's crop of 65 million kgs was the lowest since 1972, down from a record 238 million kgs in 2000 and well below the GOZ's official, optimistic targets. Even a Z\$2,000/kg support bonus does little to offset the decline or to help producers make ends meet. Moreover, the first week of the 2005 selling season suggests new farmers are also producing lower grade tobacco, which will further depress this year's forex inflows.
Dell